

Defense Medical Logistics Standard Support (DMLSS)

*Migration to Commercial
Business Practices*

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Col Skip Bonham, USAF, MSC, CHE

1992 Business Decision: Move To Commercial Business Practice

- n Commercial industry supports 250 million Americans**
- n 97% NSNs have commercial item descriptions - not military unique**
- n Commercial numbering systems - databases supported item descriptions**
- n DoDAAC & DUNS - facilitate communication between legacy systems and vendor systems**
- n Mapping issue: legacy to commercial industry**
 - Requirement for both DoDAAC/CAGE and DUNS**
 - Customer capability, commercial vs. DoD**
 - Long range conversion process working within limitations**

1992 Business Decision: Move To Commercial Business Practice

How?

- n Prime Vendor contracts with distributors**
- n Distribution and pricing agreements with manufacturers**
- n Centralized payment cycle and processes**
- n Electronic interfaces with commercial and legacy systems**

Medical Prime Vendor Program

Business Practices

Government

- n DLA Depots, DVD/BPA**
- n MRO**
- n CCPs and GBLs**
- n Mil Std Markings**

- n Mil Std Packaging**
- n NSN Databases**
- n NSN**
- n DoDAAC/CAGE**
- n MILSTRIP/FEDSTRIP**

Commercial

- n Prime Vendors, Manufacturers**
- n Commercial Pack Slip**
- n MEDEX and Air Bills**
- n Commercial Labeling and Bar Coding**
- n Commercial Package**
- n Commercial Databases**
- n NDC, UPN, ISBN**
- n Dun and Bradstreet**
- n Proprietary Electronic Order Entry Systems**
- Federal EC/EDI Standards**

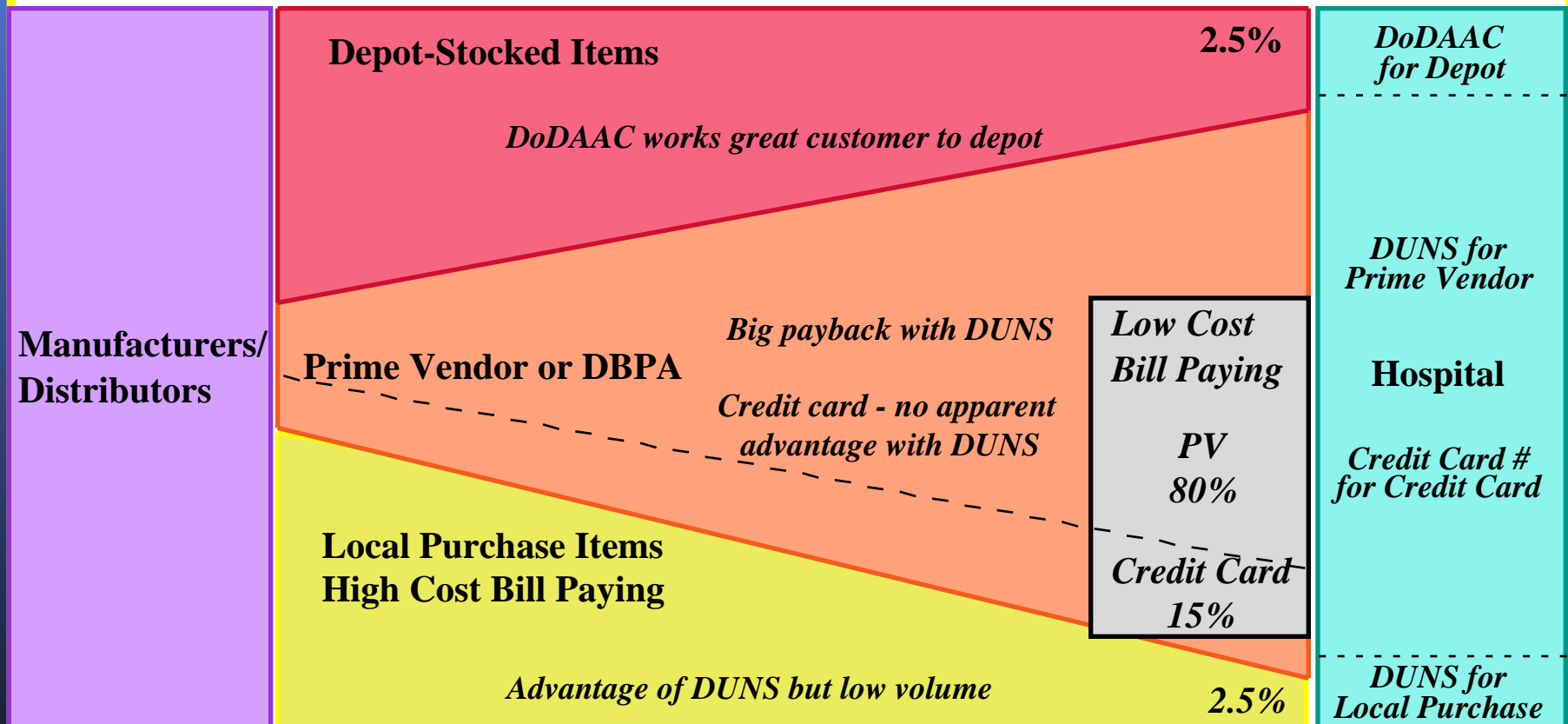
Dun and Bradstreet Data Universal Numbering System

Why?

- n Simplify and standardize EC/EDI transactions and protocols**
- n Conform with Standard Procurement System**
- n Facilitate interfaces with commercial partners**
- n Provide single commercial unique address identifier for individual vendors**
- n Assignment of DUNS provides a single face to industry**
- n DUNS single identifier for trade partners ordering and DoD bill paying (not applicable for credit cards or within Government)**
- n Migration to unique manufacturer identifier code, example multiple spellings today**
- n No cost to Government or their suppliers for obtaining DUNS numbers**

DUSD(L) and OUSD(A&T) Sponsored DMLSS Project

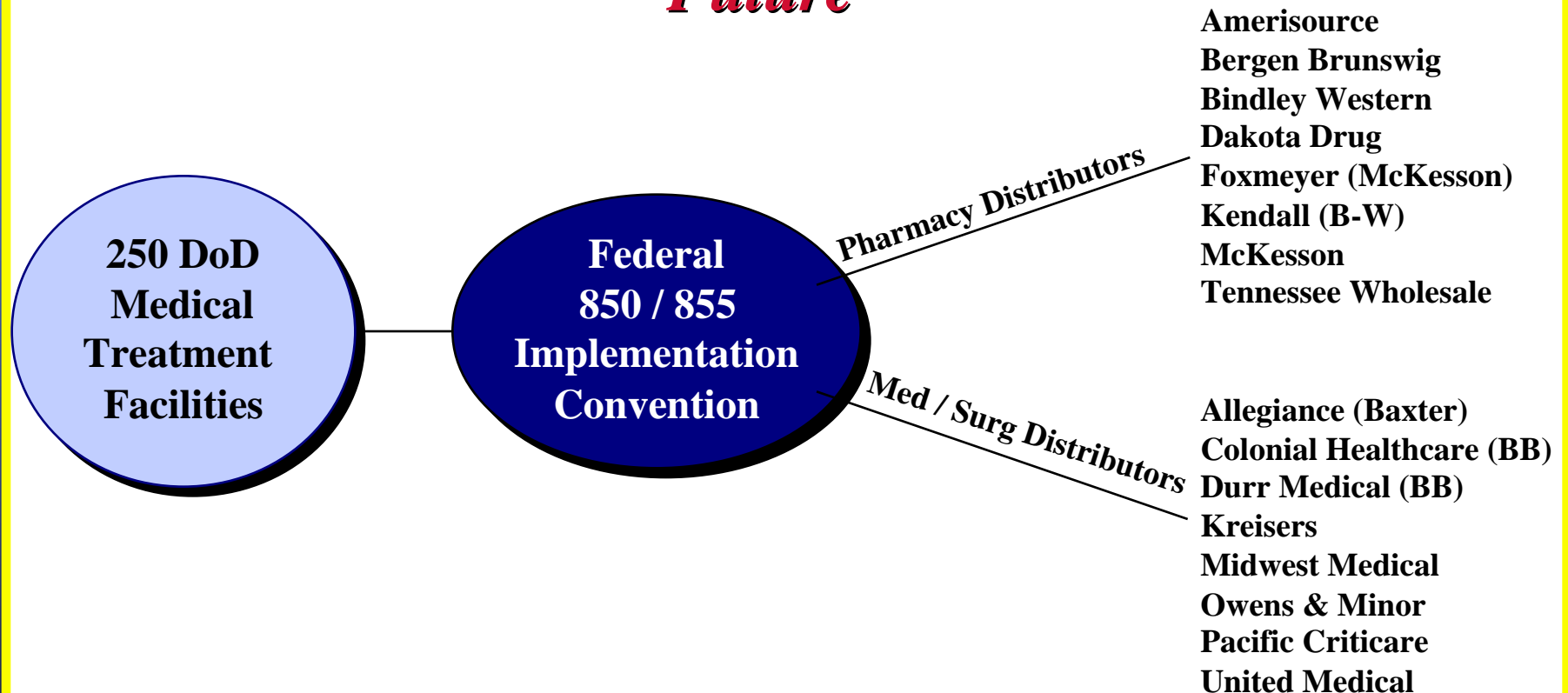
Business Practice Hospital Logistics Support Changes - FY 1996



Past → **Present** → **Future**

DUSD(L) Sponsored DMLSS Project Prime Vendor EC/EDI Implementation

Future



***Problem Today:
Slight Variations With All Vendors***

DUNS Vs. CAGE

- n Low priority and low business payback**
- n Over time migrate CAGE to DUNS**
 - DAPAs to support PV
 - FSSs on non-PV items
 - NSNs
- n Will provide single commercial manufacturer identifier**
 - Already have unique manufacturer identification in NDCs
 - Will soon have unique manufacturer identification in UPNs

DUNS Vs. DoDAAC

- n Medium priority with relatively low business payback**
- n Major payback is on orders resulting in bill paying transactions**
- n No advantage on Depot items**
- n Recommend both DoDAAC and DUNS for those activities authorized direct ordering from commercial sector**
- n No advantage on credit cards (Electronic billing by account number)**
- n Provides single face to industry**

Major Differences Among Medical Commodities

Pharmaceutical

- n NDC
- n Product Classification
- n Generic Equivalents
- n Efficient Distribution and Transportation System
- n Congress Mandated Pricing (24% lower)
Public Law 102-585

Medical Surgical

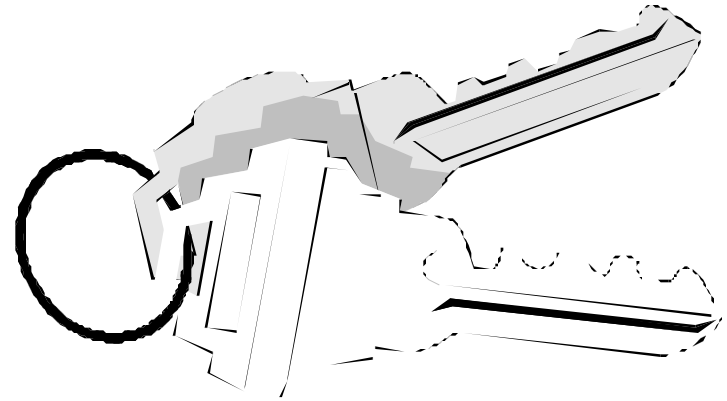
- n No Common Product No.
- n No Classification
- n Physician Preference
- n Inefficient Distribution and Transportation System
- n Negotiated Pricing

Key To Prime Vendor Success:
**** Partnering With Industry ****

- n Government business is less than 5% of U.S. Health Care Industry**
- n Requirement for surge and wartime sustainment**
- n Interfacing with DoD and commercial systems**
- n Industry Trade Organizations and Regulatory Agencies**

Key Partners

- n Manufacturers**
- n Distributors**
- n DoD**
- n Industry Trade Organizations**
 - HIBCC - Health Industry Business Communications Council
 - HEDIC - Healthcare EDI Coalition
 - HIDA - Health Industry Distributors Association
 - HIMA - Health Industry Manufacturers Association
 - PRMA - Pharmaceutical Research Manufacturers Association
- n Regulatory Agencies**
 - HCFA - Health Care Finance Administration
 - FDA - Food and Drug Administration



Lessons Learned

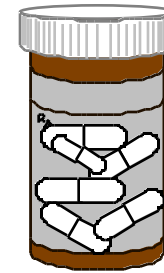
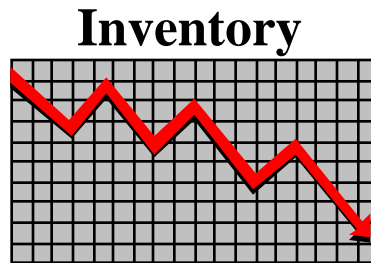
- n Partner with industry, migration strategy**
- n Interface electronically**
- n Standardize EC/EDI Implementation Convention and Protocols**
- n Support existing legacy systems and protocols**

Prime Vendor Implementation Requirements

- n Commitment to downsize**
- n Investment dollars in IM/IT**
- n Use of industry infrastructure**
- n Use of federal and commercial standards, protocols and classification systems**
- n Extensive training**

Prime Vendor Benefits to Customer

**Potential for
Reduced Levels
of Inventory**

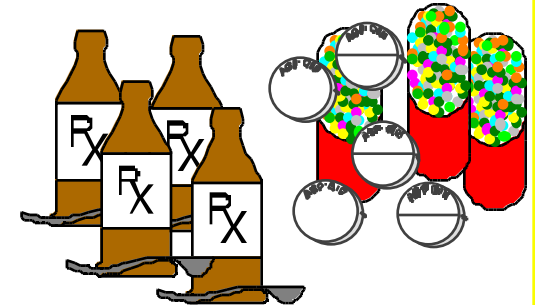
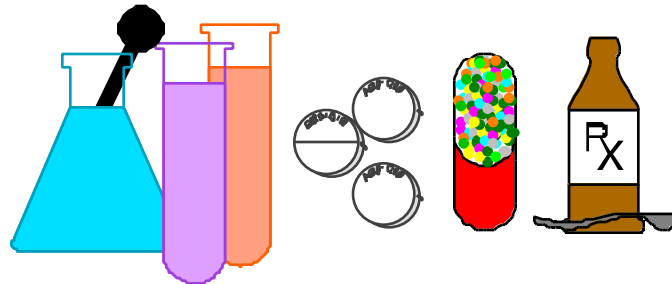


**Reduced
Shelf Life
Expiration**



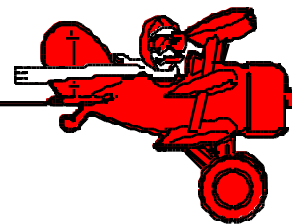
**Better
Pricing**

**Improved Product
Selection**



**Improved
Product
Availability**

***Reduced Order
Ship Time***

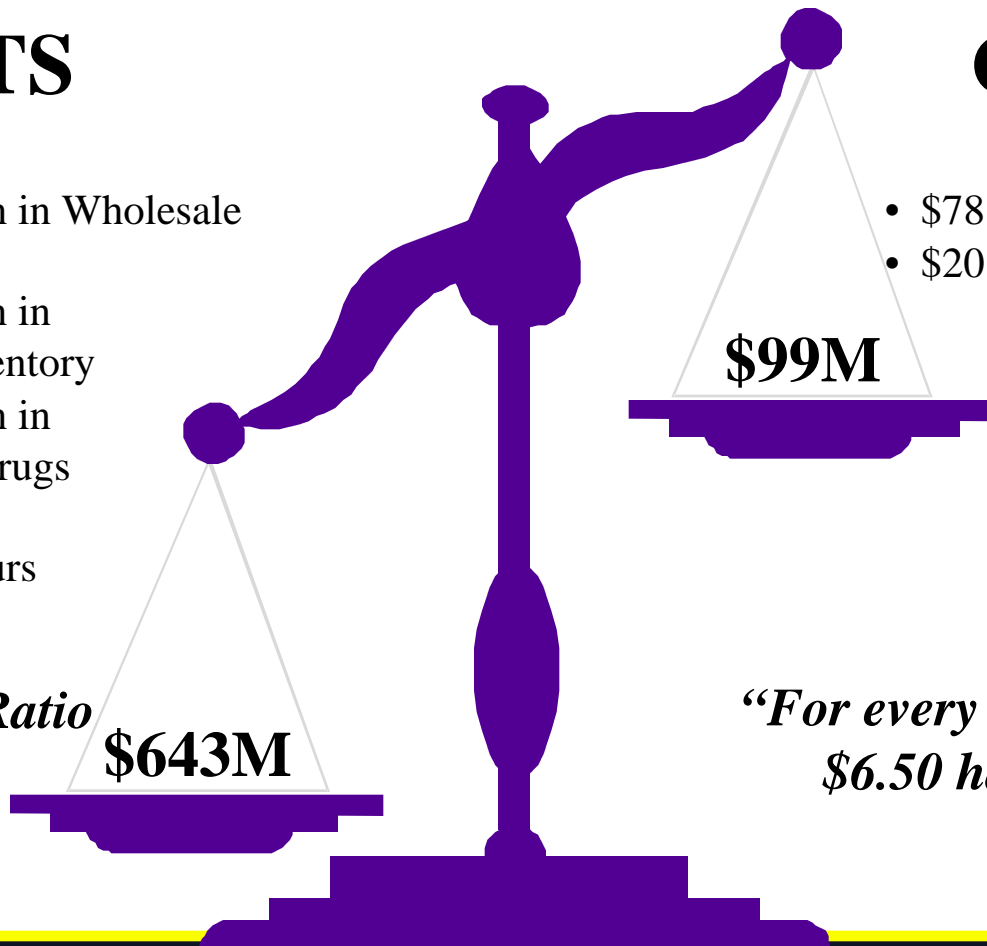


DMLSS - Reengineering A Great Return on Investment FY91 Through FY96

BENEFITS

- \$404M Reduction in Wholesale Inventory
 - \$84M Reduction in MTF Inventory
 - \$154M Reduction in Cost of Drugs
- Plus
- Delivery in 24 Hours
 - 95% Availability

***Benefit to Cost Ratio
6.5:1***



COSTS

- \$78.7M DMLSS Retail
- \$20.3M DMLSS Wholesale

***“For every \$1 DMLSS spent,
\$6.50 has been saved”***

DMLSS - Target Program A Great Return on Investment FY97 Through FY2012

BENEFITS (LCB)

- \$2,594M Inventory and Price Reductions

***Benefit to Cost Ratio
3.90:1***

\$2,594M

COSTS (LCC)

- \$220M DMLSS Retail
- \$ 29M DMLSS Wholesale
- \$116M Readiness (P2)
- \$297M Sustainment (Services and DLA)
- \$662M** Total LCC

***“For every \$1 invested in DMLSS,
\$3.90 is saved in future purchases
of medical supplies”***

